

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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November 05, 2002

FROM: CAROL L. ANSELM, Assistant County Administrator
Human Services System

**SUBJECT: ADJUSTMENTS TO FY 2002-03 FINAL BUDGET FOR THE HUMAN SERVICES
SYSTEM ADMINISTRATIVE CLAIM BUDGET UNIT (AAA DPA)**

RECOMMENDATION:

1. Authorize the Auditor Controller to decrease appropriation and revenue by \$20,373,969 in budget unit AAA DPA as detailed in Exhibit A.
2. Authorize the Auditor Controller to increase appropriation and revenue by \$2,300,000 in budget unit AAA DPA to support caseload growth for the In Home Supportive Services (IHSS) Provider Program as detailed in Exhibit A (4 votes required).
3. Approve the net reduction of 233.6 budgeted positions as detailed in Exhibit B.

BACKGROUND INFORMATION:

In June 2002, the Board of Supervisors adopted the Final FY 02/03 County Budget, which included the various budgets for the Human Services System (HSS) Departments. Since the State had not yet released the final allocations for FY 02/03, budgets for many of the HSS Administrative Claim programs were based on prior year funding allocations.

In late September 2002, the State released FY 02/03 allocations, which result in significant changes to funding levels for many HSS programs. HSS is now able to determine the effects of these funding changes as well as other associated activities that are required to support the necessary program changes. Overall funding available to departments for FY 02/03 differs from the prior year as follows:

- Transitional Assistance Department (TAD) and CalWORKs funded Jobs and Employment Services Department (JESD) programs decreased \$20.4 million
- Department of Children's Services (DCS) programs increased \$6.6 million
- Department of Aging and Adult Services (DAAS) programs increased \$0.6 million

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The requested appropriation and revenue changes in this item differ from the changes in allocation detailed above due to the fact that some allocation changes were anticipated and included in the FY 02/03 budget.

	2001-02 Mid-Year	2001-02 Actuals	2002-03 Final Budget	2002-03 Mid-Year
<u>Appropriations</u>				
Salaries and Benefits	196,415,880	179,015,434	204,475,524	194,309,094
Services and Supplies	39,914,331	36,483,956	38,577,490	32,338,639
Central Computer	3,153,318	3,165,892	3,597,860	3,597,860
Other Charges	41,416,934	41,709,969	45,372,304	43,815,633
Equipment	5,648,509	4,679,196	4,732,727	4,732,727
Transfers	<u>38,177,071</u>	<u>32,067,127</u>	<u>32,464,384</u>	<u>32,352,367</u>
Total Exp Authority	324,726,043	297,121,574	329,220,289	311,146,320
Less:				
Reimbursements	<u>(1,493,836)</u>	<u>(762,708)</u>	<u>(1,369,157)</u>	<u>(1,369,157)</u>
Total Appropriation	323,232,207	296,358,866	327,851,132	309,777,163
Operating Transfers Out	<u>-</u>	<u>291,067</u>	<u>3,638,293</u>	<u>3,638,293</u>
Total Requirements	323,232,207	296,649,933	331,489,425	313,415,456

A summary of HSS budget changes, by department, is as follows:

Staffing Changes

<u>DEPARTMENT</u>	<u>2002-03 FINAL BUDGET</u>	<u>2002-03 AMENDED FINAL BUDGET</u>	<u>CHANGE</u>
TAD including PID	2,100.7	1,926.5	(174.2)
JESD	669.0	659.5	(9.5)
DCS	921.0	942.5	21.5
DAAS	241.0	237.6	(3.4)
<u>ADMIN SUPPORT</u>	<u>477.5</u>	<u>409.5</u>	<u>(68.0)</u>
TOTAL STAFFING	4,409.2	4,175.6	(233.6)

Transitional Assistance Department and CalWORKs Funded JESD Programs

- Staffing Changes - Because of significant reductions in funding, staffing for TAD programs has been decreased 174.2 budgeted positions and staffing for JESD programs has been decreased 9.5 budgeted positions, the actual staffing levels as of October 1, 2002. Resulting cost savings are estimated to be \$7.55 million.

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- Other Changes –
 - Contracts for Food Stamp Employment Training (FSET) have been reduced by \$1.2 million because Federal funding has been reduced.
 - Contracts for Employment Services and drug and alcohol abuse services have been reduced by \$2.7 million.
- CalWORKs Incentive Funds – Although total appropriations have been significantly reduced, it is still necessary to include \$21.2 million in “one time” CalWORKs Incentive funding to maintain current CalWORKs program levels. In FY 02/03 the State limited each County’s use of CalWORKs Incentive funds to an allocated amount for the first time.
- Local Cost Effect - There will be a small decrease in local cost of \$68,831 as a reduction in FSET allocation results in reduced County share. For the remainder of these programs there will be no savings of County State-mandated level share-of-cost as it is met via a fixed flat dollar County maintenance-of-effort of \$9.94 million that is currently included in the FY 02/03 HSS Administrative Claim Budget.

Department of Children's Services

- Staffing Changes - Because of increased Child Welfare Services (CWS) funding, budgeted staffing for DCS programs has been increased by 21.5 budgeted positions. Additional costs for this increase are estimated to be \$1.26 million. The additional staff will allow the Department to meet increased caseload and State mandated case management requirements.
- Other Changes - It should be noted that, while the requested additional cost for salary and benefit costs are \$1.26 million, substantial overhead that is already included in the FY 02/03 budget will be charged to the CWS allocation via the State/Federal claiming process and will more closely approximate the \$6.6 million funding increase from FY 01/02. Although the net change in allocations is a net increase of \$6.6 million, the Department has already anticipated and included a \$5.0 million increase in the FY 02/03 final budget approved by the Board of Supervisors in June 2002.
- Local Cost Effect - To fully utilize the FY 02/03 CWS allocation of \$69.9 million (\$6.6 million more than the FY 01/02 allocation) an additional \$688,131 County share-of-cost is required. State and Federal funding is available to cover all expenses once the requested increase in County share is met.

Department of Aging and Adult Services

- Staffing Changes - The mix of HSS Administrative Claim funding and its application to DAAS programs requires that staffing be reduced by 3.4 budgeted positions. Resulting costs savings are estimated to be \$182,000.
- Local Cost Effect – The net effect of funding changes for IHSS Administration results in a \$721,084 decrease of County share-of-cost. To fully utilize the IHSS Administration allocation requires an additional \$90,108 County share-of-cost. At the time the FY 02/03 budget was being prepared, the Department anticipated that funding for IHSS Administration would increase. Therefore, staffing was budgeted at a level that would fully utilize the anticipated increase yet, because of the uncertainty of the State budget, corresponding increase in revenue was not budgeted. This resulted in an \$811,192 overmatch for IHSS Administration. The increase in the IHSS Administration allocation was realized; therefore, the overmatch is no longer needed.

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- Local Cost Effect of IHSS Provider Program - \$2.3 million increase of County share-of-cost is required for the In Home Supportive Services Provider costs. This program is essentially an entitlement program that provides personal and domestic services for aged, blind and disabled persons, enabling them to remain in their homes rather than be institutionalized. The additional local funding is necessary due to higher than anticipated caseload growth in 02/03, coupled with a reduced level of Federal participation effective October 1, 2002. **The increased local cost requirement is for unanticipated growth only.** It does not provide for IHSS provider hourly wage increases above the current rate.

HSS Administrative Support Services

Overall Administrative Support costs have been reduced by \$9.8 million as follows:

- Staffing Changes - Because of the net reduction in overall available funding, staffing for administrative support functions has been decreased by 68 budgeted positions. This reduction is a result of not filling current vacant positions. Resulting cost savings of \$3.6 million for these administrative functions have been allocated among all programs included in the HSS Administrative Claim.
- Other Reductions – Additional budget reductions of \$6.2 million have been made in administrative overhead costs, which are shared by all HSS departments in this budget unit. These reductions were made in communications charges, computer hardware and software, non-inventoriable equipment, office expense, systems development charges, equipment maintenance, and employee travel. Resulting cost savings have been allocated among all programs included in the HSS Administrative Claim.

Staffing and other budget adjustments for the items above are further detailed with descriptions, justifications, FY 02/03 total costs and the County share-of-cost in Exhibits B and C and are on file in the office of the Clerk of the Board.

REVIEW BY OTHERS:

This action was reviewed by County Counsel on October 29, 2002 (Ruth Stringer, Chief Deputy County Counsel), HSS Finance on October 29, 2002 (Kristin Letterman, Administrative Manager) and the County Administrative Office on October 29, 2002 (Gary Morris, Administrative Analyst).

FINANCIAL IMPACT:

The financial impact for FY 02/03 is as follows:

- Appropriations and revenue in the HSS Administrative Claim budget (AAA DPA) will be reduced by \$18,073,969 as detailed in Exhibit A.
- Although total appropriations are decreased, a net additional County share of cost of \$2,198,216 is required as detailed below:

Department/Program	Increase/Decrease in County Share
TAD/FSET	(\$68,831)
DCS/CWS Allocation	\$688,131
DAAS/IHSS Administration	(\$721,084)
DAAS/IHSS Provider Costs	\$2,300,000
Total	\$2,198,216

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In FY 02/03, this County share of cost can be provided from the Social Services Sales Tax Trust. The Trust currently has a sufficient balance of funds to meet the financing needs for FY 02/03.

The Social Services Sales Tax Trust was created during the State Tax Realignment process to offset local cost, and in general, is limited to use for designated social services programs. However, due to declining sales tax revenues, and the fact that growth will now occur on a lower base amount, it will soon be impossible for Realignment to continue to pick up 100% of the marginal costs associated with mandated HSS programs. HSS is expecting to begin drawing down Social Services Realignment fund balance rapidly over the next two years.

**History of Social Services Realignment and Local Cost
HSS Administrative Budget and Subsistence Budgets**

	<u>In millions</u>						02/03 budget with midyear changes
	96/97	97/98	98/99	99/00	00/01	01/02	
<u>Administrative budget (DPA)</u>							
Realignment	6.0	7.2	6.1	8.0	8.4	10.4 *	15.5 **
Local cost	8.8	11.2	13.2	8.2	11.4	13.1	11.8
<u>IHSS Providers (DPA)</u>							
Realignment	9.0	9.8	12.8	12.7	14.2	18.4	22.1
<u>IHSS Public Authority (DPA)</u>							
Realignment						0.1	0.5
<u>Foster Care (BHI)</u>							
Realignment	5.4	7.9	15.3	16.7	19.1	21.4	24.0
Local cost	15.9	17.5	14.0	14.2	16.7	14.0	13.5
<u>Aid to Adoptive Children (ATC)</u>							
Realignment	0.4	0.5	0.5	0.5	0.5	0.7	1.3
Local cost	0.1	0.1	0.2	0.3	0.6	1.0	0.9
<u>Seriously Emotionally Disturbed (SED)</u>							
Realignment	0.7	0.9	0.9	0.9	0.9	0.9	0.8
Local cost	0.1	0.0	0.5	0.3	0.5	0.7	0.6
<u>All other subsistence budgets</u>							
Local cost	9.8	7.6	7.7	6.3	4.7	6.1	7.4
Total Realignment	21.5	26.3	35.6	38.8	43.1	51.9	64.2
Total Local cost	34.7	36.4	35.6	29.3	33.9	34.9	34.2
Grand Total	56.2	62.7	71.2	68.0	77.0	86.8	98.4

* 01/02 Includes one-time needs of \$300,000

** 02/03 Includes one-time needs of \$4.6 million

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Social Services Realignment Detail of Changes from FY 01/02 to 02/03 (in millions)

	01/02 Actual	02/03 Budget with Midyear Changes	Inc/(Dec)
Administrative Claim budget	10.1	10.9	0.8
*Aging programs - One Time	0.1	1.0	0.9
*Juv Dep Ct Building - One Time	0.2	3.6	3.4
IHSS provider payments	18.4	22.1	3.7
IHSS public authority	0.1	0.5	0.4
Foster Care	21.4	24.0	2.6
Aid to Adoptive Children	0.7	1.3	0.6
Seriously Emotionally Disturbed Children	0.9	0.8	(0.1)
Total Social Services	51.9	64.2	12.3
 Probation	 4.5	 4.5	 -
California Children's Services	1.3	1.5	0.2
Financial Administration-MOE	1.8	1.8	-
Grand Total	59.5	72.0	12.5

Social Services Realignment Fund Balance

Fiscal Year 2002	Activity	Change
July 1, 2001 Fund Balance	24.8	
Expenditures	(59.5)	
Estimated Revenues	56.6	
10% Transfer from Beh.Health	5.1	
June 30, 2002 Fund Balance	27.0	2.2
 Fiscal Year 2003		
July 1, 2002 Fund Balance	27.0	
Estimated Expenditures	(72.0)	
Estimated Revenues	58.4	
June 30, 2003 Fund Balance	13.4	(13.6)

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Potential Effects of Additional Budget Impacts for FY 2003/04

It should be noted at this time that, although this action results in significant on going cost reductions, it is projected that the following factors will require additional cost reductions or increased local financing in FY 03/04:

Potential Changes	Estimated Cost Impact
The loss of availability of "one time" CalWORKs Incentive funds.	\$32.0 Million
Anticipated MOU increases to salary and benefit costs.	\$11.6 Million
Anticipated increase in the County's required retirement contribution.	\$10.1 Million
Further funding cuts made by the State.	UNKNOWN
Insufficient Social Services Sales Tax Trust dollars available to offset further funding cuts or increases in caseload/workload.	UNKNOWN

SUPERVISORIAL DISTRICT (S): All

PRESENTER: CAROL L. ANSELM, Assistant County Administrator, Human Services System